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## **A Scheme to Improve the Utilization of Vocational Qualification in the Labor Market**

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The objective of this study is to identify the role of vocational qualification in developing job skills and quantifying the job capabilities of workers. This study also endeavors to determine the scope of the utilization of vocational qualification system in the labor market in order to facilitate the workplace application of vocational qualification.

The first and second Korean Labor and Income Panel Data released by the Korea Labor Institute were analyzed, surveys were conducted and case studies were performed in relation to intra-company management of vocational qualification.

The following are the analysis of vocational qualification utilization and proposals for improvements.

### **I. Analysis of vocational qualification utilization**

First, the qualification certificate is proven to be a factor in determining job shifts by wage earners. Certificate holders show a higher level of job satisfaction than those who do not have them. Although more satisfied with what they do, certificate holders show a higher tendency to relocate to other companies than non-holders. Certificates also play a positive role in driving changes in the workers' status. The employment model shows that, statistically, certificate holders stand a better chance of getting jobs than non-holders. Vocational qualification exerted a 6.6% weight on the wage frame (7.7% when selective bias was considered), showing the positive effect of vocational qualification on higher wages.

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Secondly, since the vocational qualification system is influenced by a variety of social environmental factors, i.e. types of the labor sector, human resources management, and labor/management relations, the utilization of vocational qualification in relation to such factors was analyzed. The types of human resources management in Korea are changing in line with the flexibility of the labor market, forming a new set of paradigms. In employing new workers, however, "good personality and diligence" still ranked as the top priority (37.6%) followed by "professional expertise (30.6%)" and "fundamental job skills (28.2%)." Not at all surprisingly, professional expertise was thought to be the most important factor in the IT sector (60%), while industries involving machinery attached the greatest importance (90%) to "personality, industriousness, and fundamental job skills" in employment.

Thirdly, survey on how extensively vocational qualification is utilized within a company showed that the correlation between vocational qualification and human resources management varied significantly depending on the types of industries. The correlation shows that vocational qualification is more of a factor in the IT sector, which is an externalized labor sector (duty-oriented HRM), than in machinery industries, which are internalized labor sectors (function-oriented HRM). This is due to the fact that machinery-handling vocational qualification is not geared toward any specific function required by a certain company and workers show a lower level of job satisfaction than those in the IT sector. In the IT sector, private and foreign vocational qualification certificates afford workers a higher level of satisfaction and a better chance of employment than government-issued certificates.

Fourthly, the vocational qualification system is influenced by the type of industry and human resources management. The more the labor market is internalized, the more importance is attached to intra-company vocational qualification. Demand for intra-company vocational qualification is higher in the machinery sector than in the IT sector. Functional vocational qualification shows a similar pattern.

Finally, case studies on intra-company vocational qualification certificates recognized by the Labor Ministry show that government-issued certificates are outweighed by intra-company certificates in importance. These intra-company vocational qualifications

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also match job functions. In personnel management and performance grading, intra-company certificates are more prevalent than government-issued national certificates in terms of widespread utilization. The intra-company certification system has positive effects not only on improving company productivity but also on personnel management and healthy labor-management relations.

## **II. Proposal for improvements on vocational qualification system**

In industries where the labor market is relatively internalized, existing vocational qualification was not being fully utilized and demand for intra-company vocational qualification was relatively high. In such market types, intra-company vocational qualification should be encouraged, and quality control on its management enhanced. For this, the Ministry of Labor should make specific review criteria for recognizing intra-company vocational qualification and other related procedures.

In industries where the labor market is relatively externalized, widely recognized and duty-oriented vocational qualification that is accepted across the labor market, rather than an intra-company vocational qualification, is preferable. Such qualification will reduce the transactional cost required for certification. To facilitate the application of such vocational qualification in the labor market, a client-oriented vocational qualification system needs to be introduced and the entire industry and the labor sector should actively participate in adopting the system. This calls for an establishment of vocational qualification certifying body operated by a representative employers' association of each sector.

To promote widespread acceptance and utilization of vocational qualification (national/private), each vocational qualification item needs to be evaluated on the basis of its utilization and productivity. To this end, a systematic vocational qualification database needs to be established.

One of the reasons that existing vocational qualification system is not meeting the demands of the industry and shows a low level of utilization is that the experience factor is not included in issuing vocational qualification and applicants are not exposed to hands-on training in modernized facilities. This requires strengthening of on-the-job

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training for the existing vocational qualification certification. On the other hand, in order to improve job performance of workers on a continuous basis and to operate a vocational qualification system that rewards such improvements, a vocational qualification system designed for incumbent workers need to be established and strengthened. Companies themselves should boost their investments in training programs and bolster intra-company human resources development programs. For this to occur, a corporate culture that supports technological policies and stresses improving technological skills needs to be created. Furthermore, an establishment of human resources management programs geared to helping workers to fulfil their talent would ensure both the progress of talented workers and the growth of the company.